GOVERNMENT OF INDIA
FINANCE
LOK SABHA

UNSTARRED QUESTION NO:4863
ANSWERED ON:16.12.2016
Start-up Companies
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Will the Minister of FINANCE be pleased to state:

(a) whether the Government is aware that a large number of start-up companies have mobilised capital through placement and stake sale and if so, the details thereof;

(b) whether the Government has any mechanism for regulating capital mobilisation for the safety of investors as well as ensuring the rational evaluation of start-up companies and if so, the details thereof and if not, the reasons therefor including the implications in this regard;

(c) whether any review of the scheme has been made; and

(d) if so, the details thereof and the follow up action taken thereon?

Answer

The Minister of State for Finance
(a): Start-up India is a flagship initiative of the Government of India, intended to build a strong eco-system for nurturing innovation and Start-ups in the country. For providing fund support for Start-ups, a "fund of funds" of INR 10,000 crores to support innovation driven Start-ups has been established which shall be managed by Small Industries Development Bank of India (SIDBI). The fund will invest in Securities and Exchange Board of India (SEBI) registered Alternative Investment Funds (AIFs) which, in turn, will invest in Start-ups. It will act as an enabler to attract private capital in the form of equity, quasi equity, soft loans and other risk capital for Start-ups. Rs. 500 crore has been released to SIDBI in FY2015-16 and Rs. 600 crore in FY2016-17. Further, a new trading platform called the "Institutional Trading Platform (ITP)" with simplified framework has been introduced on August 14, 2015 by SEBI making it easier for companies, including the Start-ups, to get listed either pursuant to a public issue or otherwise. In case of public offer on ITP, the minimum application size shall be Rs. 10 lakh and the minimum trading lot shall be of Rs. 10 lakh. Thus the retail investors cannot buy or sell shares of the companies listed on ITP. No company has been listed on the ITP so far.

(b): The Government of India has issued the Companies (Share Capital and Debentures) Rules, 2014, which lays down the procedure for issuance of shares and debentures, disclosures, filing requirements and other compliances under the Companies Act, 2013. These provisions are applicable to all companies including start-ups and seek to ensure that companies raise monies in a transparent and accountable manner. The modification in the Rules made under this provision for start-ups do not compromise on the basic premise of due disclosures, accountability and protection of interest of investors including minority investors.

(c) & (d): The Start-up India Program is reviewed every month by a Monitoring Committee consisting of representatives from Department of Industrial Policy and Promotion (DIPP), NITI Aayog, Department of Revenue (Ministry of Finance), Ministry of Micro, Small and Medium Enterprises, Department of Science and Technology (Ministry of Science and Technology), Department of Electronics and Information Technology (Ministry of Communication and Information Technology), Department of Higher Education (Ministry of Human Resource Development) and SIDBI. Decisions taken by the Monitoring Committee are regularly followed up with various stakeholder departments/ organizations for implementation.